FACT SHEET

Tax Information Relating to the Removal of Architectural Barriers and the Provision of Reasonable Accommodation

Tax incentives are available to help businesses cover the cost of making access improvements and for hiring people within certain target groups. The Federal Government offers a **tax credit** that can be used for architectural adaptations, equipment acquisitions and services such as sign language interpreters. A **tax deduction** is also offered and can be used for architectural or transportation adaptations. A third Federal incentive is the **Work Opportunity Tax Credit** (WOTC) which promotes the hiring of people from certain target groups. For information on IRS publications and forms, call (800) 829-3676 Voice or (800) 829-4059 TTY or via the Internet, www.irs.gov.

Tax Credit

The **Tax Credit,** established under Section 44 of the Internal Revenue Code, was created in 1990 specifically to help small businesses cover Americans with Disabilities Act (ADA)-related "eligible access expenditures." A business that had revenues of $1,000,000 or less, or employed 30 or fewer full-time workers in the previous tax year, may take advantage of this credit. The amount of the tax credit is equal to 50% of the eligible access expenditures in a year, up to a maximum expenditure of $10,250. There is no credit for the first $250 of expenditures. Therefore, the maximum tax credit is $5,000. The tax credit is subtracted from the tax liability after taxes are calculated. Use IRS form 8826 to file for this tax credit. Eligible expenditures include:

- removing architectural, communication, physical or transportation barriers which prevent a business from being accessible to, or usable by, individuals with disabilities;
- providing qualified interpreters or other effective methods of making aurally delivered materials available to individuals with hearing impairments;
- providing qualified readers, taped texts, and other effective methods of making visually delivered materials available to individuals with visual impairments;
- acquiring or modifying equipment or devices for individuals with disabilities;
- providing other similar services, modifications, materials, or equipment; and
- fees for consulting services (under certain circumstances).

All expenditures must be "reasonable" and may not include any that are not necessary for accessibility purposes. Expenses incurred for new construction are not eligible and all expenditures must meet the current acceptable accessibility standards.

Tax Deduction

The **Tax Deduction**, established under Section 190 of the Internal Revenue Code, is now a maximum of $15,000 per year. A business (including active ownership of an apartment building) of any size may use this deduction for the removal of architectural or transportation barriers. The renovations under Section 190 must comply with applicable accessibility standards. A tax deduction is subtracted from the total income before taxes, to establish taxable income. There is no specific, separate IRS tax form for claiming this deduction. It can be claimed on the regular IRS forms for businesses depending upon the status of the business.

Small businesses can use the Tax Credit and the Tax Deduction incentives in combination, if the expenditures incurred qualify under both Sections 44 and 190.

Work Opportunity Tax Credit (WOTC)

The **Work Opportunity Tax Credit** (WOTC) became effective October 1, 1996, and is subject to yearly Congressional renewal. This incentive is a tax credit for employers who hire people from certain targeted groups which include:

- qualified recipients of Aid to Families with Dependent Children (AFDC) or its successor program, Temporary Assistance for Needy Families (TANF);
- qualified veterans;
- qualified ex-felons;
- high-risk youth;
- vocational rehabilitation referrals;
- qualified summer youth employees;
- qualified food stamp recipients; and
- qualified Supplemental Security Income recipients.

Only the first $6,000 of wages paid or incurred during the tax year for each employee are taken into account. The employer is entitled to a 25% tax credit for employees working at least 120-399 hours, or a 40% credit to those who work at least 400 hours. To claim the work opportunity credit, the employer must request and be issued a certification for each employee from the State Employment Security Agency (SESA). The certification proves that the employee is a member of a targeted group. The employer must receive the certification by the day the individual begins work or must complete Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits by the day the employer offers the individual a job. The tax credit is claimed by completing IRS form 5884, the Work Opportunity Tax Credit. Tax credits are denied for persons who work fewer than 120 hours.

DISABILITY AND COMMUNICATION ACCESS BOARD

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